

# HAWAI'I J'ATE HEALTH PLANNING AND D\_JELOPMENT AGENCY

# <u>ADMINISTRATIVE</u> APPLICATION - CERTIFICATE OF NEED PROGRAM

		Date of Receipt:	
	To be assigned by Agency	PPLICANT PROFILE	
Project Title:	Kaiser Permane	ente Kona Replacement Clinic	
Project Address:	TMK: 3-7-4-00	8-030, Kailua-Kona	<u></u> .
Applicant Facility/0		iser Foundation Health Plan, Inc.	
•	<del></del> "		
		net Liang	
Title:	Regional President, Kais	ser Foundation Health Plan, Inc. – Hawaii Region	
Address:	<u> 2828 Pa'a Street, Honolı</u>	ulu, Hi 96819	
Phone Number: _	(808) 432-5850	Fax Number:	
Contact Person fo	r this Application:	Jamie Cameros	
Title:	Senior Planning Analys	st	
Address:	1292 Waianuenue Ave	enue, Hilo, 96720	
Phone Number: _	(808) 780-5468	Fax Number:	
	CERTI	FICATION BY APPLICANT	
contained herein.	I declare that the p	olication and have knowledge of the content and the roject described and each statement amount and to the best of my knowledge and belief.	e information d supporting
Signature	han	4-16-12 Date	
Janet Lian Name (please type		Regional President, Hawaii Region Title (please type or print)	

Page 1 of 12

1.	TYPE OF ORGANIZATION: (Please check all applicable)
	Public Private X Non-profit X For-profit Individual Corporation X Partnership Limited Liability Corporation (LLC) Limited Liability Partnership (LLP) Other:
2.	PROJECT LOCATION INFORMATION
	A. Primary Service Area(s) of Project: (please check all applicable)
	Statewide:  O`ahu-wide: Honolulu: Windward O`ahu: West O`ahu: Maui County: Kaua`i County: Hawai`i County:
3.	DOCUMENTATION (Please attach the following to your application form):
	<ul> <li>A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) See Attachment A</li> <li>B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)</li> <li>Building Permits – County of Hawaii</li> <li>Certificate of Occupancy – County of Hawaii</li> <li>Fire Marshall's Approval – County of Hawaii, Fire Prevention Bureau</li> <li>Lab Certification (address change) – CLIA</li> <li>Pharmacy Certification – State of Hawaii, Department of Health</li> <li>Diagnostic Imaging Certification – State of Hawaii, Department of Health</li> </ul>
	C. Your governing body: list by names, titles and address/phone numbers  See Attachment B
	D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:  Articles of Incorporation By-Laws Partnership Agreements N/A Tax Key Number (project's location) TMK: 3-7-4-008-030

**4. TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility			Х		
Private Practice			E		

5. BED CHANGES. Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
			, .
TOTAL			

## 6. PROJECT COSTS AND SOURCES OF FUNDS

A. List	All Project Costs:	AMOUNT:
1.	Land Acquisition	
2.	Construction Contract	\$12,961,442
3.	Fixed Equipment	
4.	Movable Equipment	\$ 3,001,330
5.	Financing Costs	
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	
7.	Other:	
	TOTAL PROJECT COST:	\$15,962,772
B. Sou	TOTAL PROJECT COST:	\$15,962,772
<b>B. Sou</b> 1.		<b>\$15,962,772</b> \$15,962,772
	rce of Funds	
1.	rce of Funds  Cash	
1. 2.	rce of Funds  Cash  State Appropriations	
1. 2. 3.	rce of Funds  Cash  State Appropriations  Other Grants	

TOTAL SOURCE OF FUNDS: \$15,962,772



7. CHANGE OF SERVICE: If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the additional 180 mem land in existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staffs HLTH PLNG.

\* DEV. AGENCY

No change of service is being requested. The Applicant is respectfully requesting approval to relocate the existing Kona Clinic to a to-be-constructed facility on previously purchased land which is located approximately 3.5 miles away from the existing Kona Clinic.

- 8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:
  - a) Date of site control for the proposed project; March 2009
  - b) Dates by which other government approvals/permits will be applied for and received; **September 2012, January 2013**
  - c) Dates by which financing is assured for the project; N/A
  - d) Date construction will commence; February 2013
  - e) Length of construction period; 13 months
  - f) Date of completion of the project; March 2014
  - g) Date of commencement of operation; June 2014

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

- 9. EXECUTIVE SUMMARY: Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site. See Attachment C See pages 7-12
  - a) Relationship to the State of Hawai'i Health Services and Facilities Plan.
  - b) Need and Accessibility
  - c) Quality of Service/Care
  - d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
  - e) Relationship to the existing health care system
  - f) Availability of Resources.

10.	_	Eligibility to file for Administrative Review. This project is eligible to file f Administrative review because: (Check all applicable)		
	<del></del>	It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.		
		It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.		
		It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.		
	<del></del>	It is a change of ownership, where the change is from one entity to another substantially related entity.		
		It is an additional location of an existing service or facility.		
	<u>X</u>	The applicant believes it will not have a significant impact on the health care system.		

Throughout this application and the related attachments, Kaiser Permanente's existing Kona Clinic will be referred to as the "Kona Clinic", and the to-be-constructed facility that is the subject of this application will be referred to as the "Relocated Facility".

#### **Executive Summary**

Kaiser Foundation Health Plan, Inc. (herein referred to as "Kaiser Permanente") requests approval from the State Health Planning and Development Agency to relocate its Kona Clinic (currently located at 75-184 Hualalai Road, Kailua-Kona) to the to-be-constructed Relocated Facility on Queen Kaahumanu Highway and Honokohau, which is approximately 3.5 miles away for a current project cost of \$15.96 million.

Kaiser Permanente has been operating in the Kona Clinic since July 1987. Due to a lack of contiguous space within the leased multi-tenanted office building, the Kona Clinic no longer has the capacity to adequately provide the necessary services required to maintain the highest standards of care delivery resulting in overcrowded service and work areas and presenting various challenges and concerns. The current layout of the Kona Clinic requires significant operational workarounds to deliver high quality care and continue offering patient-friendly services. Additionally, the limited space will be insufficient to meet our anticipated future increases in the demand for patient and member medical services and the evolution of our care programs.

#### a) Relationship to the State of Hawai'i Health Services and Facilities Plan (HSFP).

The project, as described in this application, relates well to the priorities of the Statewide Health Coordinating Council (SHCC) and the Hawaii County/Hawaii Subarea Planning Council (HSAC) as further discussed below:

- Promote and support the long-term viability of the health care delivery system (SHCC),
  - Kaiser Permanente has been providing outpatient services at the Kona Clinic since 1987. By relocating the Kona Clinic which has facility condition and capacity challenges to a newly constructed facility, Kaiser Permanente will be able to continue to provide high quality outpatient services to its West Hawaii members and patients.
- Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner (SHCC),
- Increase the number of and retention of the health care workforce (HSAC),
  - Kona Clinic is currently staffed with 16.5 physicians (including visiting specialists) and 45 support staff. The 40,000-square foot Relocated Facility will provide appropriate capacity to support the current and future health care workforce needed to accommodate the demand for outpatient services. The Relocated Facility will enable Kaiser Permanente to provide access to care to meet current and future needs in a timely manner.
- Increase the number of and improve the access to and the quality of health care facilities (HSAC),

- To enhance access, Kona clinic, as with other Kaiser Permanente clinics, is strategically situated to serve densely populated communities, accessible by public transportation. Kaiser Permanente also encourages members to use its kp.org website to make appointments, access their medical information or contact a provider. Access to care is further enhanced through Kona Clinic's use of telemedicine. The Relocated Facility will offer the same services and support for members.
- Encourage and support health education, promotion, and prevention initiatives (SHCC),
- Address high risk health indicators through education, prevention, and treatment strategies (HSAC)
  - Kaiser Permanente began implementation of its Panel Support Tool ("PST") in 2006. PST extracts information from the electronic health record to help physicians manage their panels and ensure patient-centered care is delivered to all members, whether they come in for care or not. This tool enables physicians to easily identify patients who have one or more care gaps (recommended screening, lab, or drug therapies to be administered based on a patient's condition and age). Because PST provides better care management, consistent use of this tool yields significant quality results:
    - Avoid expensive acute care episodes.
    - Eliminate costly waste.
    - More optimal use of physician and staff time.
    - Increase member, physician and staff retention.
    - Reduce reliance on face-to-face clinic visits by providing effective alternatives.
    - Delivery of better overall quality care.

## b) Need and Accessibility

The Kona clinic provides primary and specialty care services to the targeted 13,300 West Hawaii Island members. In 2011, the Kona Clinic delivered 49,000 face-to-face patient encounters and 43,000 non-face-to-face patient encounters.

The Kona Clinic is located in a leased, multi-tenanted office building in Kailua-Kona and is one of Kaiser Permanente's oldest facilities in the region. Since opening its doors in 1987, the clinic has expanded several times within the building in order to accommodate membership growth, but has reached the limit for further expansion within the same building.

The Kona Clinic has four main areas in need of improvement:

- Noncontiguous, fragmented departments.
- Deteriorating facility conditions.
- Insufficient capacity for the current volume.
- Insufficient capacity for future projected volume.

#### Noncontiguous, fragmented departments

To accommodate growing membership, the Kona Clinic expanded within the leased complex as suites became available. The result is a well-utilized, but less streamlined facility with fragmented departments. The noncontiguous clinic layout includes six different suites on three floors, which challenges the efficient use of staff, exam room, and equipment resources to ensure high quality care.

Despite all efforts to work with these existing challenges, space limitations and the "patchwork" arrangement of departments within the clinic pose significant challenges to efficient workflow, safe patient flow, and Health Insurance Portability and Accountability Act (HIPAA) compliance.

#### **Deteriorating facility conditions**

The deteriorating facility conditions pose various challenges. The facility suffers from deferred maintenance and mounting annual repair and upkeep costs. Common areas pose a potential hygienic risk to our patients. Aesthetically, the Kona Clinic's current condition negatively impacts Kaiser Permanente's brand image as a leading healthcare organization.

Kaiser Permanente's National Facilities Services estimates that the cost of correcting mechanical, electrical and plumbing systems alone would total \$5.4 million.

#### **Insufficient Capacity - Current**

At 13,100 square feet, the Kona clinic is significantly undersized to house its 16.5 physicians and 45 staff members. Almost all departments have inadequately-sized rooms, lack privacy, and experience operational challenges related to the size and configuration of the Kona Clinic. Based on current Kaiser Permanente space templates and guidelines, the Kona Clinic would require more than double its square footage to right-size its current service departments.

#### Insufficient Capacity - Future

The current space limitations at the Kona Clinic location do not allow for any growth capacity to accommodate future demand or expansion to improve member access to care. There is a projected deficit of six exam rooms when the lease for the Kona Clinic space expires in 2014. With no intervention, the deficit is projected to increase to 16 rooms by 2023.

In order to address these barriers to care, Kaiser Permanente proposes to construct the Relocated Facility, a 40,000 square foot facility on a 9.9 acre Kaiser Permanente-owned site in Honokōhau, North Hawai'i, approximately 3.5 miles away from the Kona Clinic's current location. The Relocated Facility will continue to provide the same health care services that the Kona Clinic currently provides.

The Relocated Facility will allow Kaiser Permanente to retain accessibility to quality health care services for all Kona Clinic members and maintain needed access to care for the West Hawaii Island community. This includes patients with disabilities, low income patients and families, racial and ethnic minorities, women, and the elderly.

Patient access to services at Kona Clinic will be greatly enhanced at the Relocated Facility since the Queen Ka'ahumanu Highway is a major thoroughfare that encircles the island and is easily accessible by public transportation. The Relocated Facility will also have more parking stalls and will have curbside access for the HandiVan, which the current building does not offer. Additionally, the Relocated Facility will be renovated to ensure compliance with the Americans with Disabilities Act, thereby enhancing access for all patients and visitors with disabilities.

The capacity increase at the Relocated Facility would be directly proportional to an increase in quality care and decreased cost, since more patients would have access to the consistently high level of services that they expect. Under the Kaiser Permanente plan, financial barriers to health services are minimized for all members, who prepay for their medical care through monthly Health Plan dues. They may also pay registration fees at the time of service and co-payments for some services and medical supplies. Since benefits are largely prepaid by monthly membership dues, Kaiser Permanente provides all needed services within a "fixed" budget, which serves as an incentive to maintain the utmost quality of care to keep patients healthy while containing costs. High quality care and effective cost control make it possible to minimize future dues increases and expand services and benefits

Kaiser Permanente reduces cultural barriers to care through the availability of bilingual personnel at its facilities and the development of home care plans which account for and respect the variety of cultural backgrounds and beliefs of members. For non-English speaking patients, arrangements for translation are made upon request whenever possible. This arrangement also applies to interpretation for vision-and hearing-impaired patients.

#### c) Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality care and service. Quality Assurance programs, Disease Management programs, and accreditation by The Joint Commission and the National Committee for Quality Assurance ensure that high quality, cost effective care is

provided in accordance with approved guidelines for all regulatory and accrediting agencies.

Kaiser Permanente began implementation of its Panel Support Tool ("PST") in 2006. PST extracts information from the electronic health record to help physicians manage their panels and ensure patient-centered care is delivered to all members, whether they come in for care or not. This tool enables physicians to easily identify patients that have one or more care gaps (recommended screening, lab, or drug therapies to be administered based on a patient's condition and age). Because PST provides better care management, consistent use of this tool yields significant quality results:

- Avoid expensive acute care episodes.
- Eliminate costly waste.
- More optimal use of physician and staff time.
- Increase member, physician and staff retention.
- Reduce reliance on face-to-face clinic visits by providing effective alternatives.
- Delivery of better overall quality care.

Kaiser Permanente's pursuit of uncompromising quality goals not only ensures the appropriate structure and process of care are in place, but improves outcomes on an ongoing, continuous basis both for patients and the entire community.

Kaiser Permanente will ensure compliance with required licensure and certification requirements (listed in 3B) including a Certificate of Need from the State Health Planning and Development Agency for the Relocated Facility. Also, as required in the past, individual staff members will maintain current, unencumbered licenses according to State of Hawaii law.

# d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

Kaiser Permanente has determined that this proposed project will require a capital investment of \$15,962,771. In order to ensure the most efficient use of funds, Kaiser Permanente Hawaii is financing this project through its national program. Kaiser Permanente regions pool their cash and capital needs, allowing certain regions to leverage the cash position of the program to fund capital projects. This project has already been approved by Kaiser Permanente's leadership and funding has been allocated for it.

While capital investment in this project will initially result in higher fixed costs, over time this will be mitigated through operational efficiency and the capacity to serve a

greater number of members in the future. The ability to manage the cost will support Kaiser Permanente's efforts to manage premium increases and help keep the health plan affordable for the increasing number of Hawaii residents that select Kaiser Permanente as their healthcare provider.

Since operating revenues are derived primarily from Health Plan dues which are not categorized by the various components between or by the location of those services, Kona Clinic's direct revenue and cost projections are not available.

#### e) Relationship to the Existing Health Care System

The Relocated Facility will allow Kaiser Permanente to continue to provide outpatient services to its members and patients living in the West Hawaii Island area. As Kaiser Permanente is proposing to replace its Kona Clinic, there will be no change to the relationship to the existing health care system of the area.

Kaiser Permanente has carefully evaluated multiple options for replacement of the Kona Clinic. However due to significantly higher cost, unmet space requirements, and a delay in project schedule, these alternatives were not pursued. After exhaustive evaluation of alternatives, Kaiser Permanente concluded that the most operationally and financially feasible option was a build-to-suit solution on the Honokōhau property.

### f) Availability of Resources

Resources, including funds for capital and operating needs, have been budgeted and are available. Kaiser Permanente is financing this project through its national program pooled capital funds. From a personnel perspective, Kaiser Permanente will transfer existing physicians, ancillary and support staff from the Kona Clinic to the Relocated Facility once the Relocated Facility becomes operational.